

EMGT 835 FIELD PROJECT:
An Evaluation of Succession Planning:
Ensuring Strong and Effective Leadership for Tomorrow

By

Gretchen Gaines

Master of Science

The University of Kansas

Fall Semester, 2006

**An EMGT Field Project report submitted to the Engineering Management Program and the
Faculty of the Graduate School of The University of Kansas in partial fulfillment of the
requirements for the degree of Master of Science.**

Professor Herb Tuttle	Date
Committee Chair	

Dr. David Kraft	Date
Committee Member	

Professor Linda Miller	Date
Committee Member	

Acknowledgements

To my committee chair, Professor Herb Tuttle, thanks for making sure I got in gear and finished this field project successfully. The lessons I have learned in all of your classes have been invaluable and your advice has always been right on target.

To my committee members, Dr. David Kraft and Professor Linda Miller, thanks for supporting me throughout this field project. Your interest and advice has made a challenging project go much smoother. I enjoyed the courses you taught so much that I already knew by the end of my first year in the program that I wanted you to be a part of my field project committee.

To all of the company leaders who allowed me personal interviews, thanks for all your input into the project and I hope you are able to glean some useful information on succession planning from this paper for your future business endeavors.

Thanks to my company for supporting my career goals and providing me the opportunity to achieve my Masters Degree in Engineering Management.

To my family, who gave me my lifelong love of learning and inspired me to stick with the program and achieve my career goals.

To my fiancée Kirk, thanks for all your support during the late nights of school work and agonizing research. Without you to lean on, I never would have made it this far!

Abstract

There is a growing leadership gap in today's organizations. This leadership gap is preventing companies from successfully developing the leadership potential they need to remain competitive in a rapidly-changing business climate. Many experienced workers are at or nearing retirement age, the talent pool of younger professionals is much smaller and prone to higher turnover, there is less redundancy in management positions, and company loyalty is harder to inspire due to company downsizing trends and the outsourcing of services that were once a traditional part of doing business. As a result, it is becoming more and more critical that a company develops a strong and proactive succession plan for key leadership positions at all levels within the company.

One of the nation's leading engineering, architectural and planning firms headquartered in the Kansas City metropolitan area needs to develop a proactive and effective approach to company succession planning in order to identify, retain, develop, and empower its future company leaders and sustain and grow its competitive advantage in the engineering industry. The principal purpose of this paper is to identify, evaluate and ultimately recommend strategies and applications for success for implementing an effective succession plan at this engineering firm. This paper provides an introduction to succession planning through a topic overview and background; conducts a literature review to identify key trends, themes and challenges with succession planning; makes the case for why succession planning is needed at Company A; provides insight from peer interviews to identify industry best practices; and concludes with recommendations for practical leadership succession planning tools and applications for success for possible implementation at Company A.

Table of Contents

Acknowledgements

Abstract

Field Project Sections

Chapter 1: Introduction	1-1
1.1 Topic Overview and Background	1-1
1.2 Purpose of Project	1-2
1.3 Significance of Topic	1-3
Chapter 2: Literature Review	2-1
2.1 Introduction	2-1
2.2 Summary and Assessment of Research	2-2
2.2.1 Origin of Topic	2-2
2.2.2 Major Areas of Study	2-4
2.2.3 Contrasting Approaches	2-5
2.2.4 Business Ramifications	2-7
2.3 Findings	2-8
Chapter 3: Making the Case for Succession Planning at Company A	3-1
3.1 Company Background	3-1
3.2 Key Issues	3-2
3.3 Company Situational Analysis	3-3
3.4 Why Succession Planning?	3-4
Chapter 4: Interview Procedures and Methodology	4-1
4.1 Overview of Interview Process	4-1
4.2 Interview Questions	4-2
4.3 Selecting the Interview Candidates	4-3
4.3.1 Internal Company A Candidates	4-3
4.3.2 Benchmarking Candidates	4-4
4.3.3 Best Practice Candidates	4-4
4.4 Interview Method	4-5
4.5 Compiling the Interview Results	4-6
Chapter 5: Analyzing Benchmarking And Best Practice Interviews	5-1
5.1 Analysis of Interview Results	5-1
5.1.1 Internal Candidates: Company A	5-1

5.1.2 Benchmarking Candidates: Company B and C	5-6
5.1.3 Best Practice Candidates: Company D	5-11
5.2 Interview Conclusions	5-14
5.3 Relationship of Interview Contribution to Other Research	5-18
5.3.1 Comparison to Literature Review	5-18
5.3.2 Other Industry Best Practices.....	5-19
 Chapter 6: Summary and Recommendations	 6-1
6.1 Project Conclusions	6-1
6.2 Applications for Success.....	6-2
6.3 Suggestions for Further Research	6-4
6.4 Lessons Learned.....	6-5

Field Project Tables

Chapter 5	
5-1 Comparison of Interview Results	5-15

Field Project Figures

Chapter 3	
3-1 Company S.W.O.T. Analysis	3-3
 Chapter 5	
5-1 Comparison of Interview Results	5-16

References

Appendix A

CHAPTER 1: INTRODUCTION

1.1. Topic Overview and Background

There is a growing leadership gap in today's organizations. This leadership gap is preventing companies from successfully developing the leadership potential they need to remain competitive in a rapidly changing business climate. As a result, it is becoming more and more critical that a company develops a strong and proactive succession plan for key leadership positions at all levels within the company.

The need for effective succession planning was first described by Henri Fayol in his *Fourteen Principles of Management* and is defined as a process that helps ensure the stability of tenure of personnel.^{7, 8} Fayol believed that if that need is ignored, key positions in the company would be filled by ill-prepared people. In *The Leadership Gap*, Weiss and Molinaro further expand Fayol's early definition to explain that succession planning is about embedding the value of leadership within the corporate culture and developing leaders at all levels of the organization for a sustainable competitive advantage.¹⁷

In order to ensure strong company succession, an organization needs to strategically plan for key staff to be primed to assume leadership positions or alternate backup positions within the company. It is ultimately a company's leaders that help mold their organization's strategic direction, mentor employees, build teams, and guide employees towards delivering quality work and value. However, there is a gap in many companies between desired company performance and actual company results and this can be attributed, in part, to a lack of succession planning for future company leadership.

1.2 Purpose of Project

One of the nation's leading engineering, architectural and planning firms headquartered in the Kansas City metropolitan area needs to develop a proactive and effective approach to company succession planning in order to identify, retain, develop, and empower its future company leaders and sustain and grow its competitive advantage in the engineering industry. The principal purpose of this paper is to identify, evaluate and ultimately recommend strategies and formulate applications for success for implementing a succession plan at this *Engineering News Record* (ENR) 500 engineering firm. In this research paper, the firm in question is referred to as *Company A* to protect the firm's private company practices being discussed and reviewed in this paper.

This research paper is organized into several key topic areas. The paper first provides a literature review and summary of key information available on succession planning. The literature review identifies key trends, themes and challenges for succession planning. Next, the paper provides an assessment of what Company A currently does for succession planning through a review of current succession planning practices and senior management interviews with the corporate president and human resource manager in charge of the firm's succession planning. Then, the paper evaluates various succession planning best practices identified through the topic research, as well as through benchmarking with two other successful competing firms in the engineering industry of a similar size and discipline, as well as through looking at succession planning best practices from one firm outside the engineering industry. The best practice firm chosen represents a current success story in the world of business management and staff recruitment. These interviews were conducted to determine what other companies are doing

to identify and prepare their future leaders and to identify the best strategies to build and maintain strong succession plans for key leadership positions at all levels within a company.

In order to protect these firm's private practices and honor the spirit of willingness of these firms to participate in personal interviews, the names of these firms are not included and are herein referred to as *Company B, C and D*. This allowed each of the firms the opportunity to be more open about their current best practices and critiques of their company succession planning.

The research paper concludes by recommending practical tools and strategies that can be applied for succession planning to help formulate an actionable plan for Company A. Ways to monitor and evaluate the success of the succession plan over time are described to ensure that the succession plan is effectively addressing the company's leadership gap and fulfilling the need to keep the company's competitive edge in the engineering industry.

1.3 Significance of Topic

In an industry where quality-based engineering services are struggling against the trend to standardize and transition into more and more of a commodity - companies offering virtually the same engineering skills, same technology, and same products - the strength of a company's leaders can be the primary differentiator for its competitive advantage. And yet, identifying and developing a company's employee talent pool into future leaders becomes more of a challenge every day.

Leadership is no longer centered on a traditional hierarchal pyramid of management; it is now spread to managers at all levels within a company. It is no longer enough for an employee to have seniority and long tenure with a company to gain a leadership position. Now firms must focus on ways to evaluate an employee's performance to ensure they are identifying effective

future leaders. Companies are also becoming less reliant on top management to be solely responsible for making the business a success and determining long-term strategic decisions. Company strategic decisions and vision now needs to be developed by spreading the power of leadership to all management levels within the company. As Maxwell states in *Developing the Leaders Around You*, “grow a leader – grow the organization. A company cannot grow without until its leaders grow within.”¹³

Developing an actionable plan for leadership succession is a relevant topic for today’s business leaders because many experienced workers are at or nearing retirement age, specifically within the “baby boomer” generation. Additionally, the generation “x and y” talent pool of younger engineers is much smaller and prone to higher turnover. Company loyalty is also harder to inspire due to company downsizing trends and the outsourcing of services to temporary agency employees and businesses overseas. The trend in downsizing has also resulted in less redundancy in new hiring and middle management positions, making the available future leadership talent pool to draw from more limited. It is more important than ever that companies find ways to begin identifying potential future leaders early in their career at all levels within the company. It is also important that the company ensure these potential future leaders know and understand the value their talent brings to the company.

Specific to Company A, the need for a proactive succession plan stems from a growing interest by the firm’s management staff to be better prepared for leadership succession and from several recent management turnover situations that have not been easily resolved due to a lack of effective succession planning. The company has been fairly strong at identifying succession planning strategies for board-level and senior management positions within the company; but it is the mid-level management positions at the departmental level that are struggling from a gap in

leadership succession. The company is in the process of revising its current succession planning practices and beefing up its management training and development programs. The company is focusing on fostering a corporate culture that revolves around developing a learning organization and open input into the company's strategic planning initiatives. An effective succession plan is an essential component of developing the kind of organization Company A wants to be to meet its firmwide goals for growth and continue to be competitive in the engineering industry in the future. In the words of management icon Peter Drucker, "there is no success without a successor".⁶

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

A literature review was conducted to evaluate academic, business management and human relations literature and research on the topic of company succession planning. In brief, succession planning is the process through which companies plan for the future transfer of company leadership positions. William J. Rothwell, a leading researcher on the topic, defines succession planning as “a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement”.¹⁴ This literature review synthesizes the body of research and literature which has been devoted to company succession planning in order to provide insight into the major themes within succession planning, including major trends and areas of concern. It also describes differing approaches for succession planning and highlights gaps where further research might be carried out on the topic.

While succession planning is a broad topic with an expansive range of business and non-business contexts, the literature review for this paper focuses on mid-size to larger companies and corporations, the bulk of which are privately held, but which are not typically classified as a family-owned business. The review focuses on the current state of research and business practice, largely using resources from the Year 2000 to 2006, with reference back to original topic influencers and early contributors, where applicable.

The literature review is performed for this topic to assist Company A in developing effective techniques for succession planning. Company A’s current process for identifying and developing future company leadership is not known and understood by the bulk of the

company's employees, which is partially caused by a lack of formal succession planning. It is considered to be an important component of the paper to research and review applicable materials and references on the topic, looking for ideas for company benchmarking and industry best practices that might provide some guidance on techniques that Company A might use to strengthen its succession planning process and respond to its leadership gap.

2.2. Summary and Assessment of Research

An extensive literature search of relevant journal databases, business management and human relations magazines, textbooks, and academic dissertations and reports was performed using the University of Kansas library system, online and local bookstores, and the search engine Google Scholar. Review of this information allowed for the development of a summary and assessment of the major themes surrounding succession planning. The major themes identified in this literature review include the following:

- Origin of Topic
- Major Areas of Study
- Contrasting Approaches
- Business Ramifications

2.2.1 Origin of Topic

The concept of succession planning, in relation to business management, is believed to have first had its origins in the early twentieth century within Henri Fayol's *Fourteen Principles of Management*.^{7, 8} His work focused on management planning and education and his viewpoint mainly focused on the executive perspective. Fayol's principle of ensuring the "stability of tenure of personnel" is credited by many researches in succession planning as being the first to tie employee development and turnover and the need to develop necessary job skills to a

business's performance. Fayol believed that if the need to secure the "stability of tenure of personnel" is ignored, key positions in the company would be filled by ill-prepared people. Works by Fells, in *Fayol Stands the Test of Time*⁹, Wren, in *The Foundations of Henri Fayol's Administrative Theory*¹⁹, and Rothwell, in *Effective Succession Planning*¹⁴, demonstrate the early role that Fayol had in shaping how companies need to plan their succession of leadership.

In *Business Succession Planning: A Review of the Evidence*, Ip and Jacobs traced the roots of succession planning back to anthropology and the study of kinship.¹¹ They attributed the foundation of the knowledge base on succession planning to the works of early adopters including Christensen, Gouldner, Trow and Guest in the 1950s and 1960s, who helped spread it to a wider management context. Ip and Jacobs demonstrated that these researchers provided the foundation for today's leadership planning, change management, human resources and other business areas involving change.

Today, one of the major contributors in succession planning research is William J. Rothwell. His work on the topic is referenced and quoted in numerous succession planning research materials and is one of the leading texts and articles on the topic to come up during literature searches.^{14, 15} He has built upon the foundation of earlier works and focuses on succession planning in predominantly the corporate world. He has moved beyond the theory, to an attempt to identify approaches and guidance on initiating a succession plan.

Other succession planning leaders today include popular management gurus such as Jack Welch, Chairman and CEO of General Electric (GE) between 1981 and 2001, and Peter Drucker, management icon, 1909 to 2005. Welch tells about his succession planning experiences at GE prior to his retirement in his book, *Jack: Straight from the Gut*.¹⁸ Drucker was also one of the most well-respected writers on management of his time, including the importance of succession

planning. He has written numerous books that encompass the topic of succession planning, including *Managing for the Future*.⁶

2.2.2 Major Areas of Study

After performing the literature review, it became clear that the bulk of the research into succession planning could be subdivided into several major areas of study. The specific areas of study determined include:

- *Institutional Study*: This area includes government agencies, academic institutions and nonprofits such as charitable and religious organizations.
- *Family-Owned Business*: This area typically focuses on smaller, family-owned companies looking at succession from within the family; focused largely on male heirs and ensuring business continuity.
- *Leadership Diversity*: This area includes research on minority- and gender-related issues related to succession planning and the concept of a *glass ceiling* for leadership advancement. Wikipedia encyclopedia defines the term *glass ceiling* as “the observation that top-level management in businesses consist predominantly, if not exclusively, of a certain demographic (e.g., white heterosexual men). A ‘ceiling’ is suggested because persons outside the dominant demographic group are supposedly limited in how far they are able to advance inside the organization ranks and is distinguished from formal barriers to advancement, such as education or experience requirements”. This leads to a reproduction of leaders with similar backgrounds and skill sets. Most of the literature in this area consists of approaches for diverse groups to break through the invisible barriers of a *glass ceiling* and advance within a company.

- *Industry-Specific*: This area focuses on succession planning for a specific industry, such as healthcare, automotive manufacturing, etc.
- *Non-Family-Owned Business*: This area focuses mainly on national and multinational corporations including mid-size to larger, mostly private companies. This area is the main focus of this research paper and the remainder of the literature review will mainly summarize and assess available research and knowledge in this area. Of the major areas of study identified, non-family-owned businesses have the smallest body of research available. This is partially due to the fact that the majority of businesses that fall into this category are privately-owned and are less comfortable sharing their succession planning strategies and best practices with competitors in their business environment.

2.2.3 Contrasting Approaches

Within the literature review it became clear that different researchers had conflicting viewpoints on how best to approach succession planning within companies, including who should be in charge, what management levels should be included in the process, and what information should be shared with employees concerning the succession planning process.

One of the contrasting approaches dealt with whether succession planning should be human resource (HR) driven or top management driven. In *Developing the Leaders Around You*, Maxwell believes that it is upper management's responsibility to raise up potential future leaders by providing them growth opportunities, providing them coaching, and working towards reproducing generations of leaders.¹³ However, Luoma in *Developing People for Business Success: Capability-driven HRD in Practice*, believes that the value of human resource development (HRD) is underestimated and that HRD can provide a major competitiveness when used to create and sustain the internal capabilities of an organization.¹² Luoma explains the

importance of using HRD within the organization to “compete from the inside out”.¹² After review of literature on both viewpoints, it appears that the movement in thinking is towards collaboration of both groups, but with upper management taking on a large, leading role and HR supporting. However, in the past, the task of company succession planning seems to have rested largely within the HR department.

Another contrasting approach to succession planning is whether to utilize a succession planning process for upper management positions only – CEO, President, Board of Directors, or to apply the succession planning process to management potential at all levels within the company. Conger and Fulmer in *Developing Your Leadership Pipeline*, state that “great leadership at the top of your organization actually begins in the middle”.⁵ They stress the importance of creating “linchpin” positions to determine which positions are essential to the organization’s long-term health and believe in finding and grooming future leaders at all levels of an organization. While much of the literature in the past focused on executive-level positions, the latest research is showing a trend towards preparing a succession of leadership at all levels. This is especially true within middle management, which is often considered the breeding ground for future leaders.

Another differing approach from the past is that succession planning today is making the process more transparent to staff at all levels within the company. Companies are tying succession planning to their strategic planning to identify leadership gaps and ways to respond to changing company directions. In *Developing Your Leadership Pipeline*, Conger and Fulmer state that “You create a stronger leadership bench when you openly tell managers where they stand on the performance and potential ladder, and what they need to do to advance.”⁵ Being more open and transparent with succession planning has helped companies to head in the right direction

with their process. In this way, they will not end up down the line identifying leaders who are not interested in the position or disgruntled employees who are upset that they are not considered part of the company's succession plan. A transparent process lets employees know what management is looking for in future leadership and what they can do to try to advance.

2.2.4 Business Ramifications

One of the main questions asked throughout the research was why should companies place an emphasis on succession planning. What does an effective succession planning process bring to a company? The review of today's top literature on the topic made it clear that succession planning is not only an internal company issue; a lack of succession planning can quickly generate external issues for a company. As stated by Behn, Riley Jr., and Yang in the *Value of an Heir Apparent in Succession Planning*, part of a company's value is placed with its people, or "intellectual capital".² Investors want to know that a company has a strong CEO and leadership team, and that that company has plans for the succession of their leadership. Therefore, an effective succession plan can have financial ramifications on a firm. Investors in are interested in the future direction of a company they may wish to invest in. Behn, Riley Jr., and Yang found that companies that have an heir identified as part of their succession plan do perform better in the equity markets and that shareholders place a higher value on a company that has a CEO of long tenure and succession of leadership from within the company.

Other business ramifications tied with succession planning include the issue that many experienced workers are at or nearing retirement age, specifically within the "baby boomer" generation. Additionally, the generation "x and y" talent pool of younger engineers is much smaller and more prone to higher turnover. Company loyalty is also harder to inspire due to company downsizing trends and the outsourcing of services to temporary agency employees and

overseas. The trend in downsizing has also resulted in less redundancy in new hiring and middle management positions, making the available future leadership talent pool to draw from more limited.

2.3 Findings

This literature review has offered a high level summary and assessment of the major themes which can be understood from the literature search on the topic of succession planning. Key trends and areas of concern described have included the origins of the topic, the major areas of study, contrasting viewpoints on approaches to succession planning, and business ramifications that can be seen if companies do not effectively plan for the succession of their leadership.

The literature review uncovered that succession planning is a topic that has not received as much attention in management research as might be expected for such a critical management issue. While there is a lot of succession planning literature available, it has not provided a clear direction related to the successful approaches and actions for succession planning. There is a lack of scientifically-verified research available on the topic to date. The literature available has also not provided conclusive evidence that having a succession plan in place has added to the success of identifying and transferring future leadership positions.

Another drawback of the literature search was that it is harder to gain research pertinent to Company A from a literature search alone because private companies are less willing to share their succession planning best practices with competitors. Therefore, the literature search supports the need for performing peer-company interviews and benchmarking to establish best practices for succession planning, as described later in this report.

The literature research also uncovered a lack of consensus on approaches to succession planning. Ip and Jacobs in their literature review stated that “one of the biggest challenges is how to link all the different fields of study on succession planning together effectively and how the process can be made into a practical reality for the business world”.¹¹ Therefore, one of the best areas for further research would be to determine a more standardized approach for the methods for application and bringing a broad range of areas of study on succession planning together in an interconnected and collaborative way.

It is important to remember that even with the best planning, there is still no promise that a succession plan will ultimately work for a company. However, research has shown that developing a succession planning process can help raise the chances for success. It can also help alleviate a large part of the ambiguity and anxiety associated with the succession of company leadership.

CHAPTER 3: MAKING THE CASE FOR SUCCESSION PLANNING AT COMPANY A

3.1 Company Background

The company chosen for study in this field project is one of the nation's leading engineering, architectural and planning firms. In this research paper, the firm in question is referred to as *Company A* to protect the firm's private company practices being discussed and reviewed in this paper. The author of this paper is currently employed by Company A, and therefore has firsthand knowledge of the firm's current succession planning practices and processes, as well as insight into the company's strategic planning and employee development and training programs.

Company A is a multidisciplinary firm which provides professional consulting services in the markets and disciplines of transportation, bridges, aviation, architecture, urban design and planning, environmental engineering, water, construction and federal services. Company A is headquartered in Kansas City, Missouri and has a staff of nearly 3,000 employees distributed in offices nationwide.

The focus of this field project is to determine an effective leadership succession planning process for Company A's management and leadership positions at all levels within the company. The succession planning process identified in this report can be applied at all offices of the company throughout the country, from its corporate headquarters in Kansas City, to its smaller, satellite offices nationwide.

3.2 Key Issues

Several key issues or areas of concern with the firm's current succession planning efforts for its leadership positions, especially the middle management leadership positions, were identified that could be improved through the development of a more formal succession planning process. The critical issue is to develop a more effective succession plan to identify key leaders early and develop good training and mentoring programs to prepare them for future leadership positions. Below are the key issues identified for Company A that need to be addressed in order to create a strong leadership succession plan:

- *Issue: The process for identifying leadership succession for many management levels within the company is weak.* Currently, the succession planning process at Company A is only developed to address the succession needs for top leadership positions, including the company CEO, President and heads of offices. There is a need to create a leadership-building plan for all management levels throughout the company.
- *Issue: Current succession planning is not a transparent process.* The current process is not known and understood by most employees at Company A. There is a need to communicate more information to company employees and leadership candidates concerning succession planning, and provide them the opportunity to set career goals centered on future leadership opportunities and the strategic direction of the company.
- *Issue: Development opportunities and programs for leadership candidates are limited.* There is a need to provide more developmental opportunities and programs centered on helping key talent attain the skills and core competencies

necessary to continue to move forward within the company. Experiential training and rotation of job task responsibilities is lacking.

- *Issue: The lack of succession planning could impact the firm's competitive advantage in the industry.* Effective company leadership has a significant impact on company performance and financial valuation, success at winning future work and building strong industry relationships. Research has shown that identifying successors for high-level positions early has a positive impact on a firm's competitive advantage.

3.3. Company Situational Analysis

As part of the study of succession planning at Company A, a situational analysis was conducted to determine what the strengths, weaknesses, opportunities and threats (S.W.O.T.) were for Company A compared to its competitors. The pros and cons associated with the firm's current practices in succession planning and how they affect the company's competitive advantage in the engineering industry is shown in the following figure.

Figure 3-1: Company S.W.O.T. Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Company has strong name recognition in the transportation market, allowing it to attract good candidates for leadership positions. • Company has a large pool of potential leaders in-house and can draw from candidates across the country from a multitude of offices. • Company has a full-time human resource staff that assists with corporate training initiatives. • Company has an outside consultant on retainer to help develop training programs and future leaders. • Company has an annual employee review process that incorporates career development and goal setting. 	<ul style="list-style-type: none"> • At recent young employee training seminars, managers ranked low in surveys for developing and mentoring young professionals. • There is currently no formalized plan for succession planning at all management levels within the company. • Succession planning is not an open process that is known and understood by the majority of employees corporate wide. • The company has a significant amount of experienced professionals that are nearing retirement age. • Experiential and development programs for leadership candidates are lacking.

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Company has a strong management training program, which could be revised to include succession planning. • Company could revise its hiring program to include succession planning identification in candidates. • Company could create a more formal mentoring and coaching process. • Company could incorporate succession planning goals and employee scoring into the annual employee review process to help identify good candidates. 	<ul style="list-style-type: none"> • Company could lose strong staff members to competitors. • Company could lose its competitive advantage in the industry due to lack of strong leadership and planning for future leadership. • Strategic direction and leadership philosophies could head in opposite directions. • Competitors may have established an effective succession planning process.

3.4. Why Succession Planning?

The purpose of the field project is to develop an effective approach to succession planning for Company A. The goal of this succession plan is to help the firm's current leadership and human resource staff to determine the best structure and strategies for identifying and developing its future leaders. The succession plan chosen needs to be comprehensive, and yet flexible enough to encompass a wide range of leadership positions. It needs to allow variations in training and development programs to serve all leadership positions at different management levels within the company. It needs to be an open process so that employees at all levels within the company understand their role in company succession planning and how they can best prepare if leadership is something they are interested in pursuing within their career goals. Finally, it needs to be tied to the company's strategic planning to ensure Company A is choosing leaders that can accomplish the firm's goals and move the company in the right direction.

Company A has been considered one of the preferred consulting firms in the engineering industry for decades. However, current project funding constraints, government restructuring and increased competition in the marketplace have impacted the potential for future work with key clients. Clients look to effective leaders when choosing the firm they trust and want to work

with on their projects. Company A needs to develop an aggressive and smart succession plan to ensure it maintains its competitive advantage and continues to grow its market share. An effective succession planning process can serve as a foundation from which a rewarding leadership identification and development program can be implemented.

CHAPTER 4: INTERVIEW PROCEDURES AND METHODOLOGY

4.1 Overview of Interview Process

In order to gauge what other private firms of a similar size and structure to Company A were doing in regards to company succession planning, interviews with upper management and human resource representatives were conducted. An interview tool was chosen as the primary research method for this paper because it was more flexible and personal than a survey and offered more possibilities to dive deeper into areas of interest for certain questions. While the interview process cannot reach as large a sample size as a survey, it was determined to be the best approach to more fully explore specific successful approaches to succession planning from top leaders in the industry. As Rothwell states in *Effective Succession Planning*, “Discussions with top managers and other key decision-makers in an organization should yield valuable information about the needs that a succession planning and management program should meet”.¹⁴ The interviews focused on the companies’ approaches to succession planning, what departments lead their succession planning programs, and what levels of the company were included as part of the succession planning process.

The interviews were conducted for two specific reasons: 1) to benchmark against successful competing firms of a similar size and engineering industry background to Company A, in order to compare and contrast succession planning processes, and 2) to determine succession planning best practices by interviewing a firm known for effective succession planning to understand what elements of their plan make them successful at identifying future leadership. ISixSigma defines the process of benchmarking as “an improvement tool whereby a

company measures its performance or process against other companies' best practices, determines how those companies achieved their performance levels, and uses the information to improve its own performance". Two firms in the engineering industry were chosen for benchmarking interviews, referred to in this paper as *Company B and C* in order to protect their private practices.

Best Practice is defined by Wikipedia online as "a management idea which asserts that there is a technique, method, process, activity, incentive or reward that is more effective at delivering a particular outcome than any other technique, method, process, etc." Fredrick Winslow Taylor is credited with inventing the concept of best practices through his theory of "one best way".¹⁶ While best practices were being considered as part of the engineering industry interviews with Company B and C, one firm from outside the engineering industry was also chosen for evaluation of best practices. The firm chosen for the best practice interview is referred to herein as Company D.

4.2 Interview Questions

The interview questions were formulated by the author with assistance from resources included within the literature review. Specifically, *Effective Succession Planning* by Rothwell was used as a guide when developing interview questions since his work provided sample surveys and interview questionnaires.¹⁴ The interview questions focused on getting input into successful approaches to succession planning at firms within the private industry, especially within the engineering industry.

The interview questions cover a range of succession planning topic areas, outlined as key issues and major themes within the literature review in Chapter 2 of this paper. The interview questionnaire begins by determining the level of succession planning the company currently

conducts. It then delves into who is involved in the succession planning process. It follows by asking questions about what types of programs and approaches are used for succession planning and how the succession planning process connects with other initiatives at the company such as training programs, annual employee reviews, strategic planning and recruitment. The interview questionnaire then closes by asking the interviewee a series of questions on their opinions of their company's succession planning, including how it has helped their firm in their industry and how they think it could best be improved and monitored for successful application. The interview questions are included in Appendix A to this report.

4.3 Selecting the Interview Candidates

As stated in Section 4.1, three firms were chosen for benchmarking and best practice interviews to compare and contrast their succession planning processes with those at Company A. The following sections describe the process for selecting potential interview candidates in each interview category.

4.3.1 Internal Company A Candidates

It was determined that conducting internal interviews with Company A leadership was the best way to establish the current baseline for succession planning at Company A. Despite the fact that the author has experience with the company's internal programs and processes, the perspective of the author compared with the company senior management team on the topic of succession planning could be vastly different. A list of potential interview candidates at Company A was created, ranging from office and corporate leadership staff to human resource staff. It was determined that the best candidates for succession planning interviews would be the current corporate president of Company A and the senior human resource manager in charge of the firm's succession planning. The corporate president has knowledge and a vital role in

developing upper management initiatives, and is familiar with the role that other company leaders and human resource staff play in the overall succession planning process. The human resource manager has a wide range of experience developing company succession plans at other firms, a good background in current succession planning best practices, literature and research, and a good handle on current and future planned succession planning practices at Company A.

4.3.2 Benchmarking Candidates

Two candidates from within the engineering industry, Company B and C, were chosen as benchmarking interview candidates for the project. These firms were chosen because they are direct competitors of Company A and are of a similar size and structure. Also, like Company A, they are headquartered in Kansas City.

The candidates from each of these firms are former CEO's that have retired over the last few years. It was decided to interview retired company leaders since the firm's are private consulting firms and it is harder to get direct competitors to share their company best practices and approaches. In addition, these former leaders have been involved in the succession of leadership for their own CEO leadership positions. They have valuable input into what company leaders look for in successors and what they think needs to be done to make sure future leaders are prepared for their positions.

4.3.3 Best Practice Candidates

One candidate from outside the direct engineering industry, referred to as Company D, was chosen as a best practice interview candidate. This firm was chosen as a model for succession planning best practices because of its success in its industry and recent strong growth trends. The firm seems to be a good example to emulate for leadership development. The interview with this company was chosen to determine whether some of Company D's recent

success in the industry can be attributed to the company's succession planning process. Representatives from Company D's human resource management staff were interviewed. Company D is currently known for its strong and aggressive recruitment program, and a component of the interview was to find out if they tie their company succession planning to their recruitment program.

In addition to the personal interview with Company D, other companies known for succession planning best practices will be included in the analysis within Chapter 5. While these firms were not interviewed for this project, available secondary research on these firms known in the business world for their successful leadership strategies will be included. These firms include Eli Lilly and Company, General Electric, Dow Chemical Company, and PepsiCo.

4.4 Interview Method

The method of performing the interviews varied depending on the preferences of each individual interviewee. For the internal Company A interviews, the interviews were held in-person to gain the best opportunity for an in-depth understanding of the firm's current succession planning process. The benchmarking interviews with Company B and C were conducted as phone interviews. For the best practices interview with Company D, the human resource manager agreed to an in-person interview.

A consistent method of note taking and meeting minutes was used to compile the data from the interviews. The interview notes were not included in this report in order to protect the privacy of the individual companies being interviewed and to keep the findings impartial.

4.5 Compiling the Interview Results

Once the interviews were held, the results were compiled and analyzed in Chapter 5. While the method of hosting the interviews varied, the results of the interviews were synthesized into a consistent format. It is understood that interviews are not as impartial a process as surveys, but the summaries of the findings were compiled in as unbiased a manner as possible.

The interview results summarized in Chapter 5 will determine if there is a current performance or planning gap between Company A and the other companies, in regards to its succession planning process.

Copies of this research paper will be provided to each of the interview candidates so that they can view their contribution to the project and review the report analysis, findings and overall recommendations.

CHAPTER 5: ANALYZING BENCHMARKING AND BEST PRACTICE INTERVIEWS

5.1 Analysis of Interview Results

As outlined in Chapter 4, interviews were held to gather primary research information for benchmarking and identification of best practices on succession planning internally at Company A and externally at three other companies of a similar size and structure to Company A – Company B, C and D. The results of each interview are described and analyzed in the following sections. The interview questions are included in Appendix A to this report.

5.1.1 Internal Candidates: Company A

Current Process

Two in-person interviews were held with Company A: the corporate president and the human resource manager in charge of company succession planning. The interview results uncovered that Company A does not currently have a formal corporate wide succession plan. There is no single, well-defined process for company succession planning that is understood and recognized corporate wide. At the present time, different divisions within the company approach succession planning in different ways. The board of directors focuses on their own internal succession planning. Company A corporate wide succession planning mainly focuses on three key upper management positions: president, office leaders, and department managers. Succession planning does not extend to the local office level to encompass middle managers and project managers. Future planning for these types of management positions is currently handled in through varying approaches by each local office or division.

The succession planning at Company A is largely driven by the corporate wide human resources department. There is a corporate senior human resource (HR) manager assigned to develop company succession planning strategies for key leadership positions. The HR manager does get input and support from senior management.

The current process for succession planning is not known and understood by the average employee throughout the company; it is internal to senior management and HR at the present time. While many candidates know they are being considered as part of the succession planning (about one year ahead), some candidates do not know they are being considered. However, as the process is further developed and refined, the company plans to include key talent in the process and clarify that they have been identified as potential candidates. It will be part of a new talent initiative within the company to retain and develop future leaders.

A person's years of work experience, internal and external to Company A, plays some role in the company's succession planning decisions, but their overall ability to deliver is most important. There are a lot of leaders with a long tenure with Company A in leadership positions, but it is not the top factor for deciding leadership succession. However, Company A does have a high rate of promoting from within at 75% to 80% of leaders coming from within the organization. It is seen as important that leaders have a well-rounded background, providing a wide range of experiences. Sometimes, having perspective from working at other companies can be a benefit over loyalty to Company A; it helps to widen a leader's perspective and offers experiences on how things are done elsewhere.

Most current leadership positions within the company are held for a period of three to four years before some form of transition is made. The company sees it as a benefit to move

leaders around to grow to new levels and provide various opportunities or “leadership tests” to broaden their views.

There have been some examples where vacant leadership positions have taken time to fill or have been filled by the wrong candidate, due to a lack of succession planning. This has especially happened at the departmental and middle management positions where succession planning is most lacking and not a consistent process corporate wide. Additionally, at offices removed from the direct corporate umbrella where local office leadership has had the ultimate authority to choose their own successors without corporate wide leadership involvement.

Company A does tie the company’s succession planning with the firm’s strategic goals and future vision planning. This is felt to be very important for determining the right leaders to move the firm in specifically identified directions.

Succession Planning Tools and Programs

Currently there is no set process used to identify key talent within the company. There is not a list of potential candidates kept on file; however in the past there have been several assessments for leadership positions performed on the basis of an employee being rated high, solid or low. Senior management identifies candidates mainly through their performance characteristics: how they are performing on projects within the company, who is getting recognition, who is succeeding on company “mega” project pursuits and projects, and how they fit with company core competencies. The current annual employee review process is not performance-based so it is more difficult to score employees. There are plans to introduce performance reviews into the annual employee review process with the ability to score or rate employees.

Currently, Company A does use an outside consultant to assist with succession planning in certain cases. An outside consultant is also used to help with employee development and training programs at the company, including some project management and leadership training. Company A does plan to develop and introduce some in-house, online tools to assist with company succession planning in the future, but does not use any online tools or technology applications at the present time. The reason the company wants to create these tools for their succession planning is to begin to create a company dialogue on the topic within the company leadership.

Company A does offer a wide range of management training programs, but none of these programs are directly tied to succession planning and leadership development. There is an office leadership conference held and senior management is planning to incorporate standards of performance on HR issues at its next conference. The company feels that training programs are important, but experiential development is more important. According to HR, the company plans to incorporate rotating assignments to allow for candidates to obtain a wide range of experience.

The company does offer mentoring and coaching at some offices, but it is not a formalized process that is adopted across the firm. In addition, succession planning is not currently tied to annual employee reviews since the review is not performance-based, but rather career goal development-based. Succession planning is also not directly tied to recruitment programs within the company. When hiring, the company is usually looking at the candidate to see how they fit as far as two to three levels from the position they are recruiting the candidate for at the time of interview. The firm does use outside consultants when necessary to help identify external candidates for recruitment for vacant leadership positions.

Suggestions for Succession Planning

The interviewees were asked a series of questions geared at getting their thoughts and opinions on what would be included in an effective and successful succession planning process. Company A described a successful succession planning process as one that is linked to the company's strategic plan, communicated well to staff so each person knows and understands their role, is flexible, identifies key talent, offers experiential development opportunities, is funded since it is a firm investment, and is recognized and accepted. The most important items a succession plan at Company A needs to address is first and foremost to adopt a formal succession plan. It also needs to make managers and leaders accountable for the development of staff. It is good to have a plan, but it is only effective if it is actually implemented and supported by leadership and they do their part to make it a success. The succession planning process needs to place more emphasis on talent as a company investment for its future success. In addition, modifying the current office leadership conference to incorporate divisional leadership level could be a big benefit.

Company A also feels that to keep the process unbiased, a corporate wide panel approach could be used to choose a successor. This not only eliminates some bias from personal connections, but also gives the candidate exposure to other company leaders corporate wide in case other, future leadership positions become available. This can help look at each candidate's capabilities for several different leadership positions throughout the company.

Potential Future Process

The company does plan to keep a list of potential leadership candidates or key talent on file in the future. The list would then be updated once per year in the spring to tie in with annual employee performance reviews, career goal development and merit raises. The annual employee

review program would also be revised to incorporate employee performance review and scoring/rating into the process to help streamline the development of a potential talent list. The human resource manager described a process whereby three potential candidates would be identified for each leadership position: an A, B and b candidate. Candidate A would be a person who could be placed in the leadership position immediately, serving those cases where a leadership position became unexpectedly vacant; candidate B would be a person identified to be the ideal candidate, identified and groomed over a one to two year time period; and candidate b could be a good candidate if the right training and development were provided over a two to three year period. The perfect succession situation would come together if the same candidate were to have both A and B qualities.

Potential Monitoring and Assessment

A series of questions were asked at the conclusion of the interview on how to monitor and evaluate the success of the company succession plan. Company A felt that it was important to track certain statistics on the plan, such as what percentage of positions can be filled instantly when vacant, how long do positions remain vacant, are development needs being satisfied? The plan was suggested to be updated at least once per year in the spring, in order to evaluate its success and tie it to annual employee performance reviews, career goal development and merit raises. Additionally, monitoring to see how the process fits in with the core competencies identified for leaders at Company A.

5.1.2 Benchmarking Candidates: Company B and C

Current Process

A phone interview was held externally with Company B and C. The interview candidates were former Chairmen of the Board and CEOs who had a role in determining the succession of

their own leadership position, as well as input into the overall company succession planning process. The interview results uncovered that like Company A, Company B and C do not currently have a formal corporate wide succession plan. Company B had transitioned from a partnership within the last decade and most leadership succession decisions are made by division leadership. However, succession planning for leadership positions does go fairly deep into the company organizational structure and the manager or leader in each position has a large role in choosing their successor. Company C indicated that while there was not a formal plan in place, decisions on successors were usually known by senior management up to several years before a transition needed to take place.

In contrast to Company A, Company B and C's current succession planning is driven by upper management. Human resource staff is involved, but mainly at the lower levels. Upper management does not look to human resources to run the succession planning process.

The succession planning process is not known to all employees within the company. Company B feels that there may be some misunderstandings regarding the succession of leadership within the company because it is not an open process. At both Company B and C mainly upper managers and those who work directly with upper managers know the succession plan for specific leadership positions. However, most candidates identified for leadership positions do know they are being considered.

Company B indicated that when successors are being identified, usually one candidate stands out for each leadership position, but sometimes several candidates may be identified. There is no standardized process for identifying several candidates to provide redundancy or a backup plan.

As with Company A, Company B and C have a long history of promoting leadership from within the company. In addition, it is not unusual for leadership positions to be held by the same person for as many as 10 years if they are successful in that position; although this is beginning to evolve over time.

Most leadership positions that become vacant are able to be filled rapidly. Company B and C both plan ahead for employee retirements. Company C initiated a program whereby senior managers' transition out of their leadership positions by a specific age. Prior to that time, senior management identifies potential candidates for the position so that it is known and understood how the leadership transition will go. Once the current leader steps down, he/she often assists for a while in the mentoring and development of the new successor.

Succession Planning Tools and Programs

Company B uses outside consultants to assist in filling vacant leadership positions. One example includes when the company needed to fill a vacant Chief Financial Officer (CFO) position externally. The company does not use any online web-based software or programs to assist in the succession planning process.

While Company B does not use a formal process for succession planning, the firm does identify potential candidates based on their leadership qualities, their skill and drive to succeed and overall intelligence when making decisions. At Company B, the project management level within the company is considered to be a good training ground for future leaders. The company looks at these project managers as a pool of potential future company leaders.

Company C looks for candidates who are bright and energetic and who can bring in profit for the company. The firm tries to test the leadership skills of identified potential candidates to

assess their ability through leadership testing, specific committee assignments and job-related challenges.

Company B does not keep a list of potential leadership candidates on file; however Company C does. Both Company B and C use a form of rating/scoring systems for employees. Company B says this approach is used to try to take personal bias out of the decision-making process. Additionally, annual employee reviews are performance-based and are tied with decision-making on the future succession of leadership positions.

Company B does offer training geared towards leadership development. The company sends strong leadership candidates and new leaders to a three-month program offered through the Harvard School of Business. There are also opportunities to attend available seminars on developing leadership skills. A company mentoring/coaching program does exist as well. It is used corporate wide and goes fairly deep within the levels of the company and includes employees identified as future potential leaders. There is not an all-encompassing mentor program for all employees. Company C also offers leadership development training opportunities through an internal “university”.

Company B does tie succession planning to company’s strategic goals and future visioning activities. A formal strategic planning process was developed in the late 1980s and a yearly retreat is held to update and evaluate the strategic plan. Succession planning is incorporated into that yearly retreat and the plan is used to influence the kind of leaders the company needs to develop.

Company B’s recruitment program does not directly address succession planning. The firm steers its recruitment process towards hiring the best candidates available, especially entry level employees in the top 10% of their graduating class that can grow with the company. The

company feels if the employees have good potential at the time of hiring, they have good potential to develop into future company leaders. Company C feels roughly the same way about their recruitment program, but they do try to incorporate future leadership identification into the hiring process. Company C feels that if the company surrounds itself with high potential hiring candidates, these candidates will grow into future leaders for the company.

Suggestions for Succession Planning

The companies identified several suggestions for initiating a successful and effective succession plan. It was felt that more training programs were needed to help candidates develop the skills they needed to become future leaders. The formal process needs to be unbiased and unemotional, looking at all potential candidates on an even playing field. It needs to look at each candidate's ability to deliver and assess their skills against their peers. Company B thought that developing strong project managers early in their career would help lead to strong leadership candidates as they grow with the firm. The interview candidates from both companies thought that their company could improve their current succession planning process and make it into a more formal corporate wide process. It is clear that succession planning is being considered at Company B and C, but there is no standardized process that everyone knows and understands.

Potential Monitoring and Assessment

Company B and C expressed several ideas for monitoring and assessing the strength of the current succession planning process. One way was to assess how quickly positions are filled after they become vacant. Another way was to assess impacts to stock price or company valuation from leadership transitions. Company C thought the monitoring the amount of profit individual managers brought in was a good way to identify strong leadership candidates. It was

felt that good leadership succession had an impact on success of company and their valuation in the marketplace.

5.1.3 Best Practice Candidates: Company D

Current Process

As stated in Chapter 4, Company D was chosen for an interview to see if its recent successful, rapid business growth and effective company leadership in the market place could be traced back to its company succession planning practices. The director and a manager in the human resources department were interviewed to gain insight into the company's best practices.

It was determined that Company D does not currently have a formal plan in place for its succession planning. The current CEO has appointed the human resource director to come up with a formal plan for determining how to identify future leaders for key upper management leadership positions and it is in the early stages of being developed. The company was started about 17 years ago as a partnership by two strong managers that broke away from a Fortune 500 company when they wanted to develop a new product line. That new product line has launched Company D to the top of today's business world. One of the key leaders who began the company retired several years ago and his role in the company has not yet been replaced. He currently still acts as President Emeritus and is still involved in some of the company's future direction and vision planning.

At the present time, one of the founding leaders of Company D has asked that each company director (marketing, human resources, finance, etc.) identify candidates to serve as their direct successor. Most of these successors have been selected from in-house resources and the company has a history of loyalty to internal candidates and promoting from within first.

Typically, Company D keeps their leaders in their current leadership positions for longer periods of time than most companies because they are still such a young and growing firm.

While the company does not have a formal succession plan in place, they are laying the groundwork to develop one through several key initiatives. They already have a mentoring program, keep a list of high potential candidates, and have an aggressive recruitment program – all of which tie into their long-term leadership development and succession planning. Each of these programs is described in greater detail in the following section.

Succession Planning Tools and Programs

At the present time, the company is growing so rapidly that strategic planning and succession planning has not yet been fully developed. Current focus has been heavy on an aggressive recruitment program. The recruitment program at Company D is more targeted and comprehensive than at other peer firms at the present time. The company hosts interview sessions with a series of human resource specialists, managers and engineers to get a good perspective on each prospective candidate identified. They also hold weekend and evening workshops and recruitment sessions and dinners to get to know potential candidates better. They focus a lot of their efforts on hiring the right candidates for potential leadership on the front end during the recruitment process.

Company D also has a mentoring program in place, especially geared towards their engineering programs. The candidates for the mentoring program are recruited into the program either as a new graduate, or if other managers within the company recommend them. The mentees then go through a rigorous training and mentoring process. This process includes an intense screening and interview process to assess if the person has aptitude for strong productivity, the ability to grasp new information quickly and effectively, and make good

suggestions or an effective difference in the firm's current ways of doing business. The mentoring program helps management not only develop employees, but it helps identify candidates for the fast track within the company. The results can help the person move forward into a team leader role within a two to three year time period. While senior management identifies direct candidates for their positions, the mentoring program provides the company an opportunity to also focus on the development and mentoring of potential leaders for middle management positions.

Company D does keep a list of high potential employees on file with human resources; however there is not a formal process or plan in place to take those employees and develop them to the next level. As human resources develop the formal succession plan, the purpose and goals of this list of potential candidates will be more fully determined.

Suggestions for Succession Planning

Currently, there is an issue with identifying immediate replacements for key management positions in the event a position were to be vacated unexpectedly within the firm. The interview candidate from Company D felt that this was a major issue that needed to be addressed in the firm's succession planning strategies. As stated earlier, there is a list on file of potential leadership successors, but it is mainly only known to senior management at this time and is not able to be accessed and used effectively through any formalized process within the company. Company D plans to develop training programs geared towards developing and preparing these candidates that are identified on the high potential list.

Potential Future Process

As the formal process for succession planning is developed by the human resources director, it will focus on key leadership positions, including directors of specific departments

(engineering, aviation, etc.), director of marketing, director of human resources, director of operations and director of legal counsel. The formal program will not address middle management positions directly. A less formalized process may be available at the office levels for these types of management positions, as well as the current mentoring program. It will be the responsibility of each director identified within the formal succession planning process to create a succession strategy within each department. However, human resources would have a leading role in helping the departments develop their succession planning strategies.

Potential Monitoring and Assessment

Company D expressed several ideas for monitoring and assessing the strength of the current succession planning process. One way was to better track the success of the mentoring program to see how many young candidates in this program move forward on the fast track into team leader positions. Another suggestion was to review the list of high potential candidates at least yearly to see if they are getting the training and development programs they need to continue to be considered as potential future leadership successors.

5.2 Interview Conclusions

The companies chosen for benchmarking and best practice interviews were determined to be good choices for comparison with Company A. Holding these interviews helped assess where Company A ranked against competitors for their succession planning initiatives. The interview results determined that while there are some differences within each interviewed company's approach to succession planning, there is not a significant performance or planning gap between Company A and the other companies interviewed. The following table summarizes the interview results by major topic category to provide a way to compare and contrast Company A's current succession planning practices with the other companies interviewed.

Table 5-1: Comparison of Interview Results

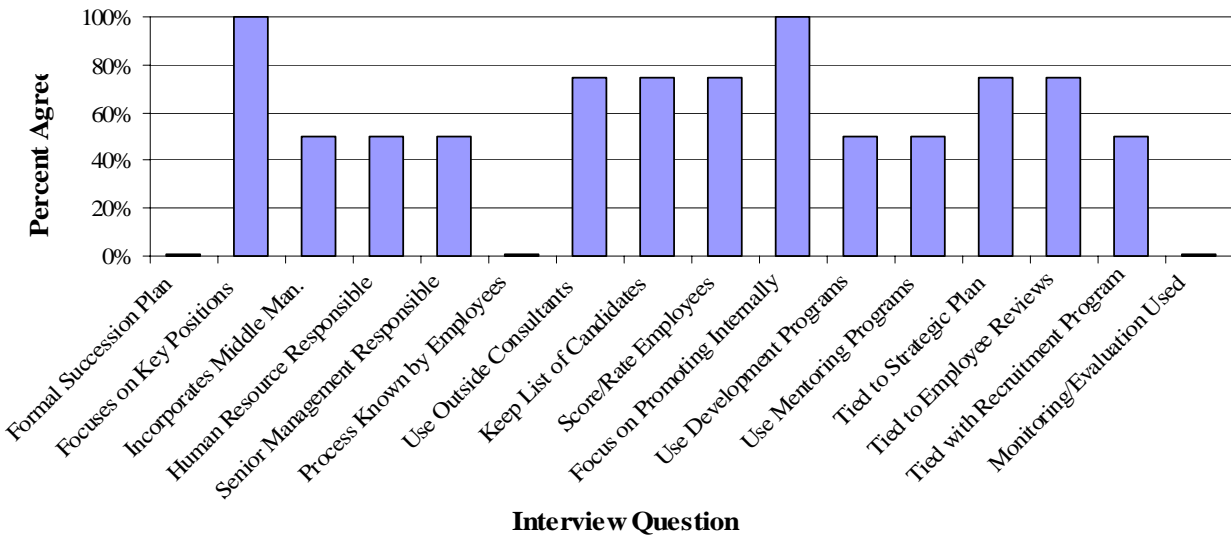
Interview Question	Company Response			
	Company A	Company B	Company C	Company D
Formal Succession Plan in Place				
Focuses on Key Leadership Positions	✓	✓	✓	✓
Incorporates Middle Management Levels		•		•
Human Resource Responsible	✓	•	•	✓
Senior Management Responsible	•	✓	✓	•
Process Known and Understood by Employees				
Use Outside Consultants	✓	✓	✓	
Keep List of Leadership Candidates			✓	✓
Score/Rate Employees based on Performance	•	✓	✓	✓
Focus on Promoting Leadership Internally	•	✓	✓	✓
Use Leadership Development Programs	•	✓	✓	
Use Mentoring/Coaching Programs	•	•		✓
Tied to Strategic Plan and Future Vision Planning	✓	✓	✓	
Tied to Annual Employee Reviews		✓	✓	
Tied with Recruitment Program			✓	✓
Monitoring and Evaluation Techniques Used				

✓ represents a “yes” response to the interview question, indicating the company does employ this technique within their succession planning.

• represents the topic is addressed at some level within the firm, but may not be addressed corporate wide as a standard practice.

The following chart provides the percentage of interview respondents who answered the question with an affirmative response, indicating the company does employ that specific technique within their company succession planning. The chart provides a breakdown, by major topic category, to see what particular techniques are most popular at the companies interviewed to assist them with their succession planning.

Figure 5-1: Comparison of Interview Results



As can be seen in the table and the chart, none of the companies interviewed had a formal succession plan in place. They all incorporated some forms of succession planning into their processes, but it was not to a level that was standardized, recognized and understood corporate wide. All firms indicated that they did not think the average employee or even middle manager at the firm was aware of the company's succession planning process.

While the companies interviewed may not use formal succession plans, they did have some good techniques that could be beneficial to apply at Company A. It was determined that both Company B and D have mentoring programs that help them with their succession planning process. The mentoring programs are used to help them identify strong candidates to move to the next leadership level, as well as provide them guidance and career development support. In addition, since both Company B and D use a performance-based annual employee review, it makes it possible to keep a score or rating on each employee, which makes it easier to identify strong candidates for leadership positions when needed.

The results were varied on whether the succession planning was lead by senior management or human resource initiatives; however all firms felt there needed to be a balance between the two groups to make an effective succession plan. At the same time, all companies felt that the bulk of the resources involved in succession planning should be focused on key, upper management positions. While they felt it was important to have some focus on middle management positions, most companies felt this should be handled more locally at the division or office level.

The main component lacking in all the companies' succession planning processes was effective leadership development programs or training. Company B did provide upper management opportunities to attend leadership seminars and retreats, while the other companies felt this was an element they wanted to work towards developing as their plan is further developed and refined. All companies could see the benefit of focusing on leadership development opportunities as a part of succession planning.

Promoting leaders from within the organization was seen as a strong past contributor to firm success in the market place. However, Company A could see the value of getting external leadership perspective to broaden the company's knowledge and experience base in new directions.

All companies saw the benefit of incorporating ways to monitor and evaluate the success of their company's plan over time. They realized that if there were no metrics, there was no good way to see if the plan was effective or needed revisions. However, the majority of the companies did not have a good handle on the effectiveness and success of their current succession planning techniques.

Through the use of interviews as a primary research method for this paper, it has become clear that while companies see the value of succession planning, the majority of them have not devoted a significant amount of time to developing a formal process or plan. While upper management positions are being considered fairly effectively, it is the middle management ranks, the training ground and foundation of a company's future leadership, which is largely being ignored in today's succession planning process.

5.3 Relationship of Interview Contribution to Other Research

5.3.1 Comparison to Literature Review

The primary research method used in this paper, personal interviews, was used with the intention of replicating other research that had been conducted on company succession planning, but for an area of study that has received less attention within the body of study – the private consulting industry. Especial emphasis was placed on engineering firms. The results of the interviews had similarities to the major themes and key issues determined during the literature search and review summarized in Chapter 2. Within the literature review it became clear that different researchers had conflicting viewpoints on how best to approach succession planning within companies, including who should be in charge, what management levels should be included in the process, and what information should be shared with employees concerning the succession planning process. Many of the contrasting approaches to succession planning discussed in the secondary research within the literature review were found to also be true for the companies' interviewed. As part of the interview process, the contrasting approaches to succession planning identified in Chapter 2 were included in the interview questionnaire in order to assess how each of the companies responded to that particular approach.

As with the literature review, the interviews uncovered that succession planning is a topic that has not received as much attention in the interviewed companies as might be expected for such a critical management issue. While there has been a dialogue on succession planning at the companies interviewed, it has not provided a clear direction related to the successful approaches and actions for succession planning. There is a lack of a formal plan or process in place that is accepted and recognized by the entire company. Also, as in the literature review, the companies have not been able to provide conclusive evidence that having a succession plan in place has added to the success of identifying and transferring future leadership positions. While all the firms felt that monitoring and evaluating the succession plan is an important element to its success, most of the companies had few statistics or recognized metrics for monitoring their current process.

One drawback of the literature search was that it is harder to gain research pertinent to Company A from a literature search alone because private companies are less willing to share their succession planning best practices with competitors. Performing peer-company interviews and benchmarking to establish best practices for succession planning was therefore an effective way to get some perspective on private industry practices from private industry leaders themselves.

5.3.2 Other Industry Best Practices

In addition to the personal interviews with Company B, C and D, other companies known for succession planning best practices were researched to get input into effective strategies to include in a company succession plan. While these firms were not interviewed for this project, available secondary research identified several firms known in the business world for their successful succession planning strategies. The companies focused on as best practices in this

paper include Eli Lilly and Company, General Electric, Dow Chemical Company, and PepsiCo. For example, Eli Lilly places a lot of focus on employee developmental activities. According to Fulmer in the article, *Choose Tomorrow's Leaders Today*, the company is known for using job rotation, a formal mentoring program, 360-degree feedback and individualized development plans to develop staff.¹⁰ Eli Lilly also employs an eight-page talent identification questionnaire to evaluate the potential of its employees in terms of performance, potential derailment factors, and learning agility.¹⁰

General Electric (GE) is known for popularizing a *nine-box matrix* for classifying the performance of their managers.¹⁰ The matrix is used to evaluate employees in terms of job performance, how they embody the company's core values and their apparent leadership potential. In this matrix, a preferred core value is *learning agility*, which, Fulmer states is defined by GE to be the ability and willingness to learn new material and adapt to new situations.¹⁰ Additionally, GE conducts leadership development programs within its Management Development Centre. Senior managers are actively involved in the training process and it helps them keep their pulse on the organization and corporate culture. According to Cacioppe in *Leaders Developing Leaders*, Jack Welch, former CEO of GE, has himself participated in the GE Senior Leadership Program for over 15 years.⁴ GE attributes its ability to move in 1997 to the largest company in the world to information gleaned at some of those leadership sessions.⁴

Dow Chemical also offers mentoring, coaching and action learning along with university-based programs. According to Fulmer in *Choose Tomorrow's Leaders Today*, Dow Chemical keeps metrics on the success of their development programs which show graduates of their internal executive education program showed improvements in strategic thinking, external focus customer orientation, and global view.¹⁰ In addition, the hit rate on the succession plan is a key

measure along with diversity and cross-functional assignments.¹⁰ If the person selected was on the list of potential candidates, the system is believed to be working. Dow centers its talent assessment around a set of seven core competencies to establish a good standard of comparison for assessment and to identify strong potential candidates. The company feels that targeting only seven key competencies made them stronger and more focuses than other competitors.¹⁰

PepsiCo focuses on a very effective “leaders develop leaders” strategy.⁴ PepsiCo’s CEO and chairman, Roger Enrico, is heavily involved in the design and conducting of the firm’s senior management program. The firm focuses on the development of leaders with exceptional potential in the middle to upper management ranks within the company. He wanted to create a program with the mindset that the role of the leader is to add value to the business and use leadership tools that directly drive business. As described in the article, *Leaders Developing Leaders: an effective way to enhance leadership development programs*, a competency model was developed for the program that involved “setting the agenda, taking others with you, and doing it the right way”.⁴ The program involves a five-day live-in retreat hosted by Enrico where an action-learning format is used. The program culminates with a 360-degree feedback summarizing their leadership skills from their subordinates, peers and managers. This is used as the basis in one-on-one interviews with Enrico during the program.⁴

Each of the companies chosen as best practices in this paper are known today as successful, Fortune 500 companies that can attribute a lot of their success to the effective identification and development of future leaders through succession planning. They have done this by not only identifying leaders based on their performance, but also by focusing on what leadership development opportunities they need to become a better leader.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Project Conclusions

As stated in the Introduction to this paper, there is a gap in many companies between leadership practices and performance results that can often be attributed to a lack of succession planning for future company leadership. In order to ensure strong company succession, an organization needs to strategically plan for key staff to be groomed to assume leadership positions or backup positions within the company. This paper has found that the strength of a company's leaders can be one of its primary differentiators for its competitive advantage. As a result, it is becoming more and more critical that a company develops a strong and proactive succession plan for key leadership positions at all levels within the company.

The primary and secondary research conducted within this paper provided good perspective on the role that succession planning has in a company's future success and employee development, as well as what types of approaches can lead to effective leadership transitions. The literature review and personal interviews uncovered that succession planning is a topic that has not received as much attention as might be expected for such a critical management issue. While there is a lot of succession planning literature available, it has not provided a clear direction related to the successful approaches and actions for succession planning. There is a lack of scientifically-verified research available on the topic to date. In addition, while most company's have an ongoing dialogue about succession planning for their leadership positions, the majority do not have formally adopted and recognized succession plans in place.

This paper concludes that it is important that Company A devote more resources and attention to leadership succession planning to grow its business and continue to attract and retain

high potential talent. It has been noted in the research and interviews that Company A is not significantly behind their competitors in terms of their succession planning practices. Now is the time to take the company to the next level by introducing some new approaches to succession planning to increase the firm's bench strength of leadership at all levels within the company.

6.2 Applications for Success

The purpose of the field project was to develop an effective approach to succession planning for Company A. The goal of this succession plan is to help the firm's current leadership and human resource staff to determine the best structure and strategies for identifying and developing its future leaders. Several factors determined within this study are considered critical to a successful succession plan for Company A:

- Partnership between senior management and human resources
- Provides experience-based leadership development opportunities and training
- Provides a mentoring program
- Links individual performance reviews to key strategies of the company
- Tracks and provides talent assessment of high potential candidates
- Uses technology tools to support and streamline the process
- Updates and monitors results on an annual basis

It is critical that the succession plan be a partnership between the human resource department and those responsible for the strategic direction and future vision planning of the company - senior management. In the article, *Choose Tomorrow's Leaders Today*, Fulmer states that in this role the succession plan is "a vital resource in anticipating the future needs of the organization and helps find, assess, develop and monitor the human capital required by the

organization's strategy".¹⁰ In addition, the involvement and support by senior management can provide buy-in on the company's succession planning activities.

Fulmer also states that the key to succession management is to create a match between the organization's future needs and the aspirations of individuals.¹⁰ The key to retaining high potential leadership candidates is to provide them with experience-based development opportunities that will keep them stretching their abilities. Company A could address the need to incorporate developmental opportunities and training through a variety of methods including rotating assignments, leadership programs, seminars or retreats, corporate committee positions to test skills, as well as many other methods. According to Dow Chemical, experiential development opportunities are shown to improve strategic thinking, provide employees with a wider perspective, and help them focus on improving their job performance.¹⁰ Developing a formal mentoring or coaching program is also seen as one of the key methods to developing, as well as identifying, high potential candidates.

It was noted in the research and interview process that Company A does not currently use annual employee reviews as a way to rate or score employees based on performance. This has made it difficult to develop and maintain a list of high potential candidates that is based on a formal tracking/talent assessment system. Incorporating talent assessment and performance review into company processes, such as the annual employee reviews, is considered to be critical to the effectiveness of the succession plan. As mentioned in the best practices section in Chapter 5, best practice companies, such as Dow Chemical, are tracking and assessing talent based on a core set of competencies to establish a standard of comparison between employees. However, in addition to tracking employee performance on the job, there could be other tracking mechanisms employed such as how active are they in the community, in professional organizations, in

company functions, etc. This can provide an assessment of how well-rounded they are in other areas aside from simply performance on projects and with clients. The firm could develop a list of “markers” or “career benchmarks” and then assess how many markers leadership candidates are meeting over a period of time or in comparison to other candidates of a similar skill level and experience level. Some examples of markers could be as average as getting their Professional Engineering licensing to being the highest earning project manager in annual sales or revenue, to serving as President of an engineering professional organization. The more markers a person obtains, the better their likelihood of being considered for future leadership succession.

Technology tools could be employed at Company A to support and streamline the succession planning process. A wide range of software tools are available for use with succession planning or could be developed internally by Company A that could help make the process shorter, simpler and more flexible. The more the succession planning process is simplified and streamlined, the easier it will be to engage senior management in the process.

Updating and monitoring the succession plan is a key component to the ongoing success of the plan. It is important to continuously review and adjust plan components when feedback is received, update talent lists and tracking methods, and assess what other companies are doing and incorporate recognized best practices. Also, instituting specific metrics to evaluate the success rate of the plan is important to ensure it is effective and serving its purpose.

6.3 Suggestions for Further Research

The literature research and personal interviews uncovered a lack of consensus on approaches to succession planning. Ip and Jacobs in their literature review stated that “one of the biggest challenges is how to link all the different fields of study on succession planning together effectively and how the process can be made into a practical reality for the business world”.¹¹

Therefore, one of the best areas for further research would be to determine a more standardized approach for the methods for application and bringing a broad range of areas of study on succession planning together in an interconnected and collaborative way.

Additionally, while there is a lot of succession planning literature available, it has not provided a clear direction related to the successful approaches and actions for succession planning. As mentioned earlier in Chapter 2, there is a lack of scientifically-verified research available on the topic to date. The literature available has also not provided conclusive evidence that having a succession plan in place has added to the success of identifying and transferring future leadership positions.

There is especially a lack of available data on private industry firms compared to the other major areas of study. More case studies on specific best practices at leading private firms in the business world would be helpful to gain more information on specific approaches to effective succession planning.

6.4 Lessons Learned

It is important to remember that even with the best planning, there is still no promise that a succession plan will ultimately work for a company when it comes time to choose the next successor. However, research has shown that developing a succession planning process can help raise the chances for success. It can also help alleviate a large part of the ambiguity and anxiety associated with the succession of company leadership. In the words of Fulmer in *Choose Tomorrow's Leaders Today*, succession planning is ultimately a journey, not simply a destination.¹⁰

REFERENCES

1. Barlow, L. (2006). "Talent Development: The New Imperative?" Development and Learning in Organizations **20**(3): 6-9.
2. Behn, Riley, et al. (2005). "The Value of an Heir Apparent in Succession Planning." Corporate Governance **13**(2): 168-177.
3. Berger, L. A. (2004). The Talent Management Handbook. New York, McGraw-Hill Companies.
4. Cacioppe, R. (1998). "Leaders Developing Leaders: an effective way to enhance leadership development programs." Leadership & Organization Development Journal **19**(4): 194-198.
5. Conger and Fulmer (2003). "Developing Your Leadership Pipeline." Harvard Business Review **81**(12): 76-84.
6. Drucker, P. (1992). Managing for the Future. New York, Truman Talley Books/Dutton.
7. Fayol, H. (1916). "Administration Industrielle et Generale." Bulletin de la Societe de L'Industrie Minerale **10**(3): 5-162.
8. Fayol, H. (1949). General and Industrial Management. London, Sir Isaac Pitman & Sons.
9. Fells, M. J. (2000). "Fayol Stands the Test of Time." Journal of Management History **6**(8): 345-360.
10. Fulmer, R. (2002). "Choose Tomorrow's Leaders Today: Succession Planning Grooms Firms for Success." Journal of Contemporary Business Practice, Pepperdine University, Graziodio School of Business & Management.
11. Ip and Jacobs (2006). "Business Succession Planning: A Review of the Evidence." Journal of Small Business and Enterprise Development **13**(3): 326-350.
12. Luoma, M. (2000). "Developing People for Business Success: Capability-driven HRD in Practice." Management Decision **38**(3): 145-153.
13. Maxwell, J. C. (1995). Developing the Leaders Around You. Nashville, TN, Nelson Business, Thomas Nelson Publishers.
14. Rothwell, W. J., Ph.D., SPHR (2001). Effective Succession Planning New York, AMACON American Management Association
15. Rothwell, W. J., Ph.D., SPHR (2002). "Putting Success into your Succession Planning."

Journal of Business Strategy **23**(3): 32-37.

16. Taylor, F. W. (1911). The Principles of Scientific Management. New York, Norton Library 1967, by arrangement with Harper & Row, Publishers, Incorporated, by W. W. Norton & Company, Inc.
17. Weiss, D. S. a. M., Vince (2005). The Leadership Gap. Canada, John Wiley and Sons Canada, Ltd.
18. Welch, J. (2001). Jack: Straight from the Gut. New York, Warner Books, Inc.
19. Wren, Bedeian, et al. (2002). "The Foundations of Henri Fayol's Administrative Theory." Management Decision **40**(9): 906-918.

APPENDIX A

INTERVIEW QUESTIONNAIRE

1. Does your company have a formal succession planning process to identify future leadership?
2. Does your succession plan include only key positions within the company or is it applied to management and leadership positions at all levels throughout the organization?
3. How does your organization define key positions? Are these key positions given special attention in your succession planning process? If so, why?
4. Is your succession planning process conducted by upper management or the human resource department?
5. Do you use any outside consultants or web-based applications/tools for succession planning?
6. Is your succession planning process known to all employees throughout the firm or is it limited to only upper management staff and human resources?
7. Do potential leadership candidates usually know that they are part of the company's succession plan?
8. What process do you currently use to identify potential future leaders?
9. Do you keep a list of potential leadership candidates on file? If so, how regularly is the list updated?
10. Do you use any form of scoring/rating system for employees that helps identify top candidates for leadership positions?
11. Do you identify more than one candidate for most leadership positions or are the positions mainly focused on succession by one particular person?
12. Does a person's tenure with the company play a role in your succession planning? Is the process more seniority-based or performance-based?
13. On average how long would you say most people stay in their current leadership role before some type of leadership transition is made?
14. How quickly are you able to fill most leadership positions when they become vacant?

15. What percentage of leadership positions would you say are filled from within the company organization?
16. Can you recall any specific instances where you experienced a crisis or leadership gap placing high-potential individuals or filling key positions? If so, describe.
17. Do you offer management training and leadership development programs within the company? If so, what types of courses?
18. Do you offer any form of mentoring/coaching program to help identify and develop potential future leaders?
19. Do you currently tie the company's succession planning with the company's strategic goals and future vision planning activities or are they two separate processes?
20. Is your succession planning tied with your annual employee performance/career goal reviews?
21. Is your succession planning process tied with your human resources talent hiring process?
22. What do you think would be some of the elements of an effective company succession plan?
23. What specific issues do you feel a company succession plan needs to address?
24. If you could design a succession planning process today, what do you think would be the most important element(s) to concentrate on?
25. Do you think your company needs to improve its current succession planning process?
26. How does your company monitor the success of the succession planning process?
27. Do you think your succession planning process has any affect on your company's share price/stock valuation/ESOP program?
28. Do you think having a succession plan has helped your company succeed in your industry against competitors?